

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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O 091518Z MAR 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 6894

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 2076/1

STADIS////////////////////////////////

EXDIS

FOR UNDERSECRETARY ROBINSON AND ASST SECRETARY SCHAUFELLE

E.O. 11652: GDS

TAGS: ECON, EFIN, EAID, CG, US

SUBJECT: ECONOMIC ASSISTANCE FOR ZAIRE

REF: KINSHASA 1797, 1676 2075

1. WHEN I WAS IN WASHINGTON RECENTLY I SAW HOW HARD THE DEPARTMENT AND OTHER AGENCIES WERE WORKING TO PUT TOGETHER AN ECONOMIC ASSISTANCE PACKAGE FOR ZAIRE, AND I WAS MADE AWARE OF THE DIFFICULTIES WHICH MUST BE OVERCOME TO GUIDE SUCH A PROGRAM THROUGH THE VARIOUS AGENCIES AND THE CONGRESS. OPON MY RETURN TO KINSHASA, I UNDERTOOK A REVIEW OF THE PROPOSALS THIS MISSION HAS PUT FORTH. I HAVE CONCLUDED (A) THAT THE NEED TO MOVE QUICKLY TO PROVIDE BALANCE OF PAYMENTS SUPPORT TO ZAIRE IS EVEN MORE URGENT THAN THE SEVERAL PLEAS FROM HERE HAVE LED WASHINGTON TO BELIEVE; (B) THAT THERE HAS BEEN INADEQUATE ATTENTION GIVEN TO THE IMPLICATIONS OF THE AMOUNTS OF FOREIGN EXCHANGE THE USG IS REQUIRING OF ZAIRE DURING A TIME OF SEVERE FINANCIAL CRISIS; (C) THAT IN SPITE OF OUR DETERMINATION TO COME UP WITH GESTURES AND PROGRAMS WHICH SHOW SUPPORT FOR ZAIRE IN THIS CRITICAL PERIOD, INSTRUCTIONS I HAVE RECENTLY RECEIVED WOULD, IF CARRIED OUT, SEND CONTRARY SIGNALS TO MOBUTU: AND (D) THAT THE MAGNITUDE OF THE GAP TO BE FILLED  
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IS SUCH THAT ONLY A SIGNIFICANT BALANCE OF PAYMENTS PROGRAM

ALLIED WITH A DEPT RE-SCHEDULING STRATEGY WILL ATTAIN OUR POLITICAL OBJECTIVES AND PROTECT AND ENHANCE OUR CURRENT INVESTMENT AND EXPOSURE IN THIS COUNTRY.

2. BY SEPARATE MESSAGE (KIN 2075.), WE DESCRIBE A RECENT GOZ REQUEST FOR COTTON AND SPARES FOR THE COTTON INDUSTRY WHICH IS ON THE VERGE OF SHUTTING DOWN AND LAYING OFF SOME 11,000 WORKERS. THIS SPECTRE OF ADDITIONAL UNEMPLOYED, COMING ON THE HEELS OF THE SMTF MOTHBALLING (6,000 WORKERS), THE INGA-SHABA SLOWDOWN, AND THE FACT THAT OTHER SECTORS ARE GOING ONTO THREE-DAY WORK WEEKS FOR LACK OF RAW MATERIALS AND SPARES, COMBINES WITH THE 50 PERCENT INCREASE IN PRICES OVER THE LAST FOUR MONTHS, (A-33) CONTINUING POL SHORTAGES (KIN 1998) AND SPECULATIVE HOARDING TO MEAN THAT THE IMF-IMPOSED DEVALUATION WILL HIT THE URBAN POPULATION EVEN HARDER THAN WE THOUGHT. I BELIEVE IT IS EVIDENT THAT IN THE ABSENCE OF QUICK MEASURES TO KEEP PEOPLE EMPLOYED AND BRING IN SUFFICIENT FOOD, PHARMACEUTICALS, RAW MATERIALS AND SPARES, THERE IS A SERIOUS RISK OF POLITICAL INSTABILITY. AS FOR THE OVERALL GAP TO BE FINANCED, IT HAS TURNED OUT, AS WE SUSPECTED (KIN 1872) THAT THE BELGIANS HAVE NOT YET COME UP WITH SIGNIFICANT NEW CREDITS AND THUS BOTH THE URGENCY AND THE MAGNITUDE OF REQUIRED ASSISTANCE IS GREATER THAN PREVIOUSLY ASSUMED (KIN 1797).

3. IT WAS IN JUNE OF 1975 THAT WE PERSUADED MOBUTU TO ACCEPT THE IMF STABILIZATION PROGRAM AND PROMISED A \$60 MILLION BALANCE OF PAYMENTS PACKAGE TO HELP FILL THE GAP. THREE WEEKS FROM NOW, THE FIRST SHIP OF CCC RIC (\$2 MILLION OF THE \$15 MILLION CCC, WHICH IS THE ONLY PART OF THE \$60 MILLION WE THUS FAR HAVE APPROVED) WILL ARRIVE IN MATADI. THERE IS NO BLAME TO BE LAID HERE; IT IS SIMPLE FACT THAT WE HAVE NOT BEEN ABLE TO MOVE QUICKLY ON OUR BALANCE OF PAYMENTS SUPPORT. WHAT IS EQUALLY TROUBLING IS THAT OVER THIS SAME PERIOD, WE HAVE BEEN INSISTING THAT THE ZAIRIANS PAY IN FULL DEBTS OWING TO THE USG. WE DO NOT HAVE COMPLETE DATA HERE, BUT THE TOTAL BILL WE ARE TRYING TO COLLECT FOR THIS CALENDAR YEAR IS AROUND \$15 MILLION (EXIM \$8.6, CCC/PL-480 \$2.5, AID \$4.5. IN ADDITION, WHEN WE APPROVE AND BEGIN IMPLEMENTATION OF OUR TOTAL FY-76 PACKAGE, THE FOREIGN EXCHANGE

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COSTS TO THE GOZ THROUGH CY-76 BECAUSE OF CCC AND PL-480 FRONT MONEY, SHIPPING COSTS AND OTHER CHARGES UNDER THE LOANS WILL RUN WELL OVER \$10 MILLION. THESE LATTER PAYMENTS, OF COURSE, ARE THE PRICE WHICH MUST BE PAID TO GET NEW CREDITS. BUT THE ARREARAGES ON OLD LOANS, IT STRIKES ME, NEED TO BE ADDRESSED IN TERMS OF THE IMF-LED DEBT RE-SCHEDULING, WHICH WILL BE FORMALLY REQUESTED BY THE GOZ VERY SHORTLY, AS WE HAVE REGULARLY REPORTED.

4. A FEW EXAMPLES OF THE ARREARAGE PROBLEM AND HOW WE ARE CURRENTLY BEING INSTRUCTED TO COPE WITH IT: WE ARE TOLD (STATE 048357) TO DE-OBLIGATE A SMALL NUTRITION-PLANNING PROGRAM WHICH WAS PART OF OUR REGULAR TECHNICAL ASSISTANCE PROGRAM, ON THE GROUNDS THAT ZAIRE IS MORE THAN SIX MONTHS OVERDUE IN PAYMENTS ON A PREVIOUS AID LOAN. EXIM HAS TOLD US (STATE 052209) THAT THEY ARE ON THE VERGE OF APPROVING AN APPLICATION FOR \$20 MILLION OF FCIA CREDIT INSURANCE TO COVER WHEAT SHIPMENTS AT THE RATE OF \$2MILLION PER MONTH--IF WE CAN GET THE GOZ CENTRAL BANK TO PROVIDE WRITTEN ASSURANCE THAT IT WILL TRANSFER \$2.5 MILLION PER MONTH STARTING IMMEDIATELY TO REDUCE EXIM'S EXISTING EXPOSURE OF \$12.3 MILLION AND GUARANTEE THAT IT WILL PAY BACK THE NEW \$20 MILLION ON 360-DAY TERMS. WE ALSO HAVE A CABLE (STATE 048357) WHICH ASKS US TO PRESSURE THE GOZ INTO GIVING GOODYEAR AN IMMEDIATE FOREIGN EXCHANGE ALLOCATION TO COVER THE IMPORTATION OF RAW MATERIALS.

5. THUS, NOT ONLY HAVE WE NOT YET COME UP WITH THE FY-76 SSA LOAN (STATE 052781), BUT WE ARE ON THE VERGE OF DE-OBLIGATING PART OF OUR CURRENT BI-LATERAL DEVELOPMENT/TECHNICAL ASSISTANCE PROGRAM. AGAIN, IT SEEMS TO ME THAT WE SHOULD ACCEPT THE IMPLICATIONS OF OUR OWN RECOMMENDATIONS TO THE ZAIRIANS IN TERMS OF THE DEBT RE-SCHEDULING ASPECTS OF THE IMF PROGRAM. EVEN IF THE GOZ FINDS THE MONEY TO MAKE THE PAYMENT ON THE PREVIOUS AID LOAN IN QUESTION, ANOTHER WILL FALL DUE SHORTLY AND WE WILL BE IN THE SAME BOX. I BELIEVE THAT WE SHOULD USE THE PRESIDENTIAL WAIVER AUTHORITY CONTAINED IN SECTION 620 (Q) OF THE FAA FOR ALL DEBTS OWED UNDER THAT ACT AND IN SO INFORMING CONGRESS PUT IT IN THE CONTEXT OF OUR OVERALL SUPPORT FOR THE IMF STABILIZATION PROGRAM, AND SPECIFICALLY AS PART OF THE DEBT RE-SCHEDULING.

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6. WE DO NOT BELIEVE THE ANSWER TO THE WHEAT PROBLEM IS EXIM'S SOLUTION, BUT RATHER OUR PROPOSAL (KIN 1676) OF USING THE THREE YEAR TERMS OF CCC CREDIT. AGAIN, WE SHOULD REDUCE OUR ARREARAGES THROUGH DEBT RE-SCHEDULING, AND NOT BY ASKING ZAIRE TO COME UP WITH HARD CASH NOW. THE ANSWER TO GOODYEAR'S AND OTHER US FIRMS' IMPORT REQUIREMENTS LIES IN THE IMMEDIATE APPROVAL OF THE PROMISED EXIM \$20 MILLION LINE AND THE SSA LOAN. THAT'S WHERE THEY WILL FIND THE NEW CREDITS FOR RAW MATERIALS AND SPARES, AND THEY TOO SHOULD FIND THE ANSWER TO THEIR ARREARAGES IN THE DEBT NEGOTIATION PROCESS. I ASSUME THAT WE WOULD INCLUDE OUR PRIVATE FIRMS IN THE RE-SCHEDULING.

7. I HAVE REFERRED SEVERAL TIMES TO DEBT RE-SCHEDULING. NONE OF US HERE PRETENDS TO BE AN EXPERT IN THIS REGARD, BUT

UNDERSECRETARY ROBINSON DISCUSSED THIS ASPECT OF BALANCE OF PAYMENTS ASSISTANCE WITH THE STABILIZATION COMMISSION AND I BELIEVE HE UNDERSTANDS THE REQUIREMENTS. AS TO HOW WE GET FROM HERE TO THERE, OUR RECOMMENDATIONS ON USING PRESIDENTIAL WAIVER AUTHORITY MAY NOT BE ON THE MARK. BUT THE ESSENCE OF WHAT I URGE IS THAT THE WAY BE FOUND TO HANDLE THE ARREARAGES OF THE USG, PRIVATE AMERICAN BANKS AND FIRMS OPERATING HERE, AS PART OF THE DEBT RE-SCHEDULING TO BE HELD UNDER

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 6895

C O N F I D E N T I A L SECTION 2 OF 2 KINSHASA 2076

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IMF AUSPICES. THERE REMAINS THE PROBLEM OF OBLIGATIONS WHICH ARE NOW PAST DUE AND WHICH WILL BE FALLING DUE BEFORE THE IMF RE-SCHEDULING BEGINS. FOR THESE, I DO NOT BELIEVE WE SHOULD INSIST UPON REPAYMENT NOW, BUT RATHER USE PRESIDENTIAL WAIVER AUTHORITY TO MOVE THEM FORWARD INTO THE RE-SCHEDULING PROCESS. IN THE FIRST PLACE, THE ZAIRIANS HAVE BARELY ENOUGH FX TO COVER ESSENTIAL PAYMENTS; SECONDLY, IF THEY USED THE FEW DOLLARS AVAILABLE TO PAY US OFF, BUT NOT OTHER CREDITORS--THE PRINCIPLE OF NON-DISCRIMINATION UPON WHICH THE IMF WILL INSIST IN THE RE-SCHEDULING WILL HAVE BEEN UNDERMINED; AND LASTLY, I BELIEVE WE SHOULD CALCULATE THAT THE FOREIGN EXCHANGE COST TO THE GOZ NECESSARY TO IMPLEMENTHSOUR NEW PROGRAMS, PLUS THE ULTIMATELY UN-RESCHEDULABLE PORTION OF THEIR EXTERNAL DEBT TO US WILL BE THE MAXIMUM BURDEN THEY CAN BEAR. THERE MAY BE SOMETHING I FAIL TO COMPREHEND IN ALL THIS, AND IF SO, I WOULD SINCERELY APPRECIATE YOUR COUNSEL. IN THE MEANTIME,

I PREFER NOT TO CARRY OUT THE INSTRUCTIONS FROM AID AND EXIM MENTIONED IN PARA 4, ABOVE.

8. WHEN I WAS IN WASHINGTON THERE WAS SOME QUESTION AS TO WHETHER THE LEVELS OF ASSISTANCE PROPOSED FROM THE FIELD WERE REALISTIC. AGAIN, I HAVE REVIEWED THE SITUATION AND HAVE CONCLUDED THAT, CONSIDERING THE MAGNITUDE AND URGENCY OF ZAIRE'S PROBLEMS, THE LEVELS RECOMMENDED ARE FULLY WAR-CONFIDENTIAL

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RANTED FROM THE STANDPOINT OF BOTH GENUINE NEED AND WHAT IS REQUIRED TO PROTECT AND STRENGTHEN OUR POSITION IN THIS PART OF AFRICA. TO RECAPITULATE OUR RECOMMENDATIONS, WHICH I FULLY ENDORSE, WE SHOULD:

A) FY-76

-- INCREASE OUR \$15 MILLION CCC PROGRAM TO \$30 MILLION PER KINSHASA 1797. THIS WOULD NOTABLY ASSURE WHEAT SUPPLIES THROUGH JUNE AND GIVE THE COTTON INDUSTRY CLOSE TO TWO MONTHS' RE-SUPPLY WHILE WE AMEND OUR FY-76 PL-480 PROGRAM (SEE BELOW)

-- INCREASE OUR \$8 MILLION PL-480 PROGRAM (NOW READY FOR SIGNATURE) TO \$11.4 MILLION TO COVER ADDITIONAL COTTON REQUIREMENTS THROUGH JUNE (SEE KINSHASA 2075 FOR DETAILS).

-- APPROVE THE \$20 MILLION EXIM LINE AND SIGN THE SSA LOAN. ASSURE THAT THESE CREDITS ARE USED, IN PART, TO RE-SUPPLY US FIRMS, BUT ALSO TO COVER SPARES FOR COTTON INDUSTRY, GECAMINES, THE TRANSPORTATION SECTOR, ETC.

-- WASHINGTON AGENCIES TO WORK OUT IMMEDIATELY A DEBT RE-SCHEDULING FORMULA THAT WILL DEAL WITH ARREARAGES NOT ONLY OF US DIRECT AND GUARANTEED DEBT, BUT ALSO ON DEBTS OWING TO US PRIVATE FIRMS AND BANKS. COORDINATE WITH THE IMF AND THE MAJOR CREDITOR NATIONS. BE PREPARED TO MOVE INTO RE-NEGOTIATION UPON ANNOUNCEMENT OF IMF PROGRAM. IN THE MEANTIME, USE PRESIDENTIAL WAIVER AUTHORITY WHERE REQUIRED.

B) FY-77

-- AMEND SSA SUBMISSION TO INCLUDE \$80 MILLION FOR ZAIRE. (THIS IS A PARTICULARLY IMPORTANT ELEMENT SINCE ITS TERMS ARE THE MOST CONCESSIONARY IN THE PACKAGE.)

-- SECURE EXIM AGREEMENT OF AN ADDITIONAL \$20 MILLION LINE OF CREDIT.

-- COME UP WITH A PL-480/CCC PACKAGE AS PROPOSED IN KIN 1676/1797 WHICH WOULD PHASE IN BEHIND THE FY-76 PROGRAMS TO PREVENT BREAKS IN THE PIPELINE. IN THIS CONNECTION, THE COTTON ELEMENT OF THE PL-480 PROGRAM SHOULD BE INCREASED BY \$9.6 MILLION TO COVER THE REQUIREMENTS LAID OUT IN KIN 2075 FOR A NEW TOTAL CCC/PL-480 PACKAGE OF \$82.1 MILLION.

C) IN TERMS OF THE SECRETARY'S VISIT:

--ALL OF THE FY-76 ACTIONS NOTED ABOVE SHOULD BE  
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IMPLEMENTED IMMEDIATELY, BUT WE SHOULD BE ABLE TO FIND A  
WAY TO SIMPLY "INITIAL" THE VARIOUS AGREEMENTS HERE AND THEREBY  
GET ON WITH THE NEW SHIPMENTS, BUT HOLD FORMAL SIGNINGS  
AND ANNOUNCEMENTS FOR THE SECRETARY'S ARRIVAL (KIN 2036).  
THESE WOULD INCLUDE THE SIGNINGS OF FY-76  
PL-480 AGREEMENT AND ITS \$3.4 MILLION AMENDMENT FOR  
ADDITIONAL COTTON: THE ANNOUNCEMENT OF THE ADDITIONAL  
FY-76 \$15 MILLION CCC; AND THE SIGNATURES OF THE EXIM  
LINE AND THE SSA LOAN.

--IN ADDITION TO THE FOREGOING IMMEDIATE ASSISTANCE  
TO THE TUNE OF \$73 MILLION THE SECRETARY WOULD BE ABLE TO  
TELL MOBUTU THAT WE ARE REQUESTING FOR NEXT FISCAL YEAR A  
TOTAL OF SOME \$180 MILLION IN NEW CREDITS PLUS OUR  
PARTICIPATION IN THE DEBT RE-SCHEDULING.  
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## Message Attributes

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